

J. C. Penney Company
Incorporated

Financial Statement

***Operating Eight Hundred
Ninety-Two Stores.***

December 31, 1927.

New York, N. Y.,
March 5, 1928.

To the Stockholders of the
J. C. PENNEY COMPANY:

In submitting to you the Annual Statements of the J. C. Penney Company, for the year ending December 31, 1927, I desire to voice the spirit of satisfaction that prevails in our ranks due to our accomplishment last year.

Our Sales Volume—\$151,957,865.20—exceeded a quota that, at first, seemed insurmountable.

Total Net Income for 1927, after Depreciation, Federal Taxes, Compensation, etc., amounted to \$7,982,831.91—the amount allocable to No Par Common Stock being equivalent to \$11.78 a share. This was an increase over 1926 when we earned \$10.62 a share.

The amount carried to surplus on December 31, 1927 is less than the figure transferred to that account for the year 1926. This is due to our revised plan by which Store Managers' Classified Stock was replaced with contracts that provide for compensation based on production. In consequence, when comparing relative figures for the two years, it must be borne in mind that approximately \$3,000,000 was expended in 1927 under Compensation Contracts, which under the old form of corporate set-up would have been taken into Classified Surplus for distribution under Classified Stock holdings.

Reports received from our various Managers tend to generate a feeling of optimism. The outlook for the coming year is encouraging indeed and we have every reason to look forward hopefully and expectantly.

Respectfully submitted,

E. C. SAMS
President.

J. C. PENNEY COMPANY

Income Account For Year Ended December 31, 1927.

Sales	\$151,957,865.20
Cost of Merchandise Sold, Selling and General Expenses, Depreciation, Reserve for Contingencies and Reserve for Federal Taxes	143,707,966.63
	<u>8,249,898.57</u>
Discount on Purchases and Miscellaneous Income	698,801.34
Net Profit before Preferred Stock Dividends	<u>8,948,699.91</u>
Less Preferred Stock Dividends paid from 1927 Earnings	965,868.00
Transferred to Surplus	<u><u>\$ 7,982,831.91*</u></u>

Note:

*Applicable to Classified Common Stock	\$1,217,420.03
Applicable to Common, No Par Stock	6,765,411.88
Total	<u><u>\$7,982,831.91</u></u>

SURPLUS ACCOUNT

Surplus at December 31, 1926	13,673,793.32
Net Sundry Deductions during Year	8,350.60
	<u>13,665,442.72</u>
Less Common Stock Dividends:	
In Cash	4,837,088.26
In Stock (as Stock Conversion)	3,365,515.06
	<u>8,202,603.32</u>
	5,462,839.40
Add Net Income for 1927 after deducting Preferred Stock Dividends	7,982,831.91
Surplus at December 31, 1927	<u><u>\$13,445,671.31 †</u></u>

Note:

†Applicable to Classified Common Stock	1,332,124.56
Applicable to Common, No Par Stock	12,113,546.75
Total	<u><u>\$13,445,671.31</u></u>

J. C. PENNEY COMPANY

Balance Sheet

As at December 31, 1927.

ASSETS

Cash in Banks and on Hand		\$ 6,486,049.56
Merchandise—at Cost or Market, whichever is lower		<u>28,001,544.68</u>
		34,487,594.24
Notes Receivable, Due from Employees (Secured by Capital Stock)		197,524.86
Stock Subscription Contracts for Capital Stock held for Employees, less Payments made		724,111.53
Accounts Receivable, Advances, Etc.: Subsidiary Company	\$212,500.00	
Miscellaneous	<u>140,755.06</u>	353,255.06
Investment in Subsidiary Companies—at Cost		50,000.00
Land and Buildings, less Depreciation	397,724.01	
Furniture and Fixtures, less Depreciation	<u>4,334,328.62</u>	
	4,732,052.63	
Improvements and Leaseholds, less Amortization	<u>1,482,302.54</u>	6,214,355.17
Treasury—Common Stock, at Cost		<u>62,700.00</u>
		<u>\$42,089,540.86</u>

LIABILITIES

Accounts Payable, not yet due		\$4,268,946.36
Reserve for Federal Taxes		<u>1,649,332.07</u>
		5,918,278.43
Mortgages Payable		102,500.00
Reserves:		
Reserves for Fire Losses, Etc. and Employees' Death Benefit Fund	\$861,078.31	
Reserve for Contingencies	<u>300,000.00</u>	1,161,078.31
Capital Stock:		
Preferred 6% Cumulative (Authorized \$30,000,000.00)	16,097,800.00	
Classified Common (Authorized \$5,000,000.00)	3,679,166.67	
Common, No Par—574,274 Shares (Authorized 1,250,000 Shares)	<u>1,685,046.14</u>	21,462,012.81
Surplus		13,445,671.31
Contingent Liabilities—None.		<u>\$42,089,540.86</u>

CERTIFICATE OF AUDITORS

We have examined the books and accounts of the J. C. Penney Company for the purpose of verifying the assets and liabilities as at December 31, 1927. We have made a test check of the physical existence of the merchandise stock at a sufficient number of the Company's stores to satisfy ourselves as to the correctness of the inventories; we have also made adequate tests to satisfy ourselves that the basis of valuation is at cost or market, whichever is lower.

We hereby certify that, in our opinion, the foregoing Balance Sheet, which is in agreement with the books, correctly sets forth the financial position of the Company as at December 31, 1927.

New York, N. Y.
March 2, 1928.

PEAT, MARWICK, MITCHELL & CO.

OFFICERS

J. C. PENNEY, <i>Chairman of the Board</i>	
E. C. SAMS	<i>President</i>
GEO. H. BUSHNELL	<i>Vice-President</i>
J. M. McDONALD	<i>2nd Vice-President</i>
J. I. H. HERBERT	<i>3rd Vice-President and Treasurer</i>
L. A. BAHNER	<i>Secretary</i>
A. W. GRIGGS	<i>Comptroller</i>

DIRECTORS

J. C. PENNEY, *Chairman*

E. C. SAMS	D. G. McDONALD
GEO. H. BUSHNELL	GLEN G. WHITE
J. M. McDONALD	R. H. OTT
J. I. H. HERBERT	L. V. DAY
WILK HYER	G. H. CROCKER